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16. Gender, entrepreneurship and business finance: investigating the relationship between banks and entrepreneurs in the UK

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INTRODUCTION

An individual's ability to engage in entrepreneurship is predicated on the availability of resources, in particular access to finance. Research that has investigated entrepreneurial finance in the form of equity capital has focused mainly on the supply side (Mason and Harrison, 1999), where the perspective of the venture capitalist or venture capital industry is the central concern (Sapienza, 1992; Wright et al., 1997; Zacharakis and Shepherd, 2001). The demand-side perspective, focusing on the approaches taken by firms seeking external investment, has attracted less research interest, although some researchers have explicitly commented on the need to focus on variations in the ability of some entrepreneurial groups to obtain venture finance (Timmons and Sapienza, 1992; Timmons and Bygrave, 1997).

Women are one of the main entrepreneurial groups that have, so far, notably failed to obtain their share of venture finance. Current estimates suggest that in the USA, less than 5 per cent of the $73 billion venture capital pool is awarded to women-owned firms (Greene et al., 1999; Business Week Online, 2001). Greene et al. (1999) suggested three reasons why women experience difficulties in raising equity capital: firstly, women choose not to seek this type of external investment; secondly, women encounter structural barriers that preclude their access to equity capital; and thirdly, women lack the knowledge and capabilities to obtain equity capital. In addition, it has also been argued that women choose to start their businesses in sectors or locations that do not match the preferences of external lenders (Brush et al., 2001).

In the UK, greater research attention has focused on debt finance, the more widely used method of external finance used to facilitate business start-up and growth. Studies that have compared male-owned and female-owned businesses report a bi-modal profile in funding arrangements, with women using on average only one-third of the starting capital used by men (Carter and Rosa, 1998; Rosa et al., 1994, 1996). Similar findings have emanated from research studies undertaken in a variety of country contexts. However, while research provides unequivocal evidence that women-owned businesses start both with lower levels of overall capitalization and lower ratios of debt finance (Hisrich and Brush, 1984, 1985; Brush, 1992; Carter and Rosa, 1998; Coleman, 2000; Carter and Anderson, 2001), the causes of this are uncertain. Some studies have attributed the causes as being sexual stereotyping and discrimination (Hisrich and Brush, 1984; Buttner and Rosen, 1988), women's lack of personal assets and credit track record (Riding and Swift, 1990), and women's inability to penetrate informal financial networks (Olm et al., 1988; Aldrich, 1989; Greene et al., 1999). Other studies, however, have failed to confirm these propositions (Buttner and Rosen, 1989; Chrisman et al., 1990; Riding and Swift, 1990; Haines et al., 1999; Haynes and Haynes, 1999).

The debate has continued largely because of the methodological difficulties facing researchers in providing clear and unequivocal evidence (Brush, 1992, 1997; Mahoot, 1997). To date, methodologies have relied mainly upon a narrow set of approaches, using telephone and personal interviews or postal questionnaires that depend on self-reported evidence from entrepreneurs. Few studies have developed the more sophisticated methodologies required to tease out the reasons why women fail to gain the volume and ratio of debt finance necessary to start and sustain a high-growth business. Fewer still have explored the issue from the perspective of both the supply side and the demand side by focusing equal attention on banks and entrepreneurs.

This chapter presents details of the methodological approach and interim results from a large-scale, ongoing study exploring the relationship between entrepreneurship, gender and bank lending in the UK. The study takes a social constructionist perspective, focusing on perceptions that are held by male and female entrepreneurs about banks; the perceptions that are held by male and female bank officers about male and female entrepreneurs; the effects of economic, social, human and cultural capital on the ability of entrepreneurs to mobilize financial resources; and the effects of these perceptions on the ability of male and female entrepreneurs to raise bank finance to start and sustain a business. Following this introduction, the chapter briefly outlines the UK country context and considers the theoretical perspectives on gender and business ownership that inform the methodological approach used in this study. The research approach and details of the six-stage methodology are then presented. The chapter then highlights some of the initial results from both supply side (banks) and demand side (entrepreneurs), before drawing tentative conclusions.

COUNTRY CONTEXT

Women's Business Ownership in the UK

There are an estimated four million enterprises in the UK, employing a total of 21.7 million people and with a combined annual turnover of £2200 billion (DTI, 2004). While there are no official statistics that disaggregate enterprise ownership by gender, a series of large-scale surveys collectively suggest that about 15 per cent of UK enterprises are female-owned, 50 per cent are male-owned and 35 per cent are co-owned by males and females (Small Business Service, 2003; Carter et al., 2004).

The popular view of a large-scale expansion in the number of female entrepreneurs in the UK over the past decade, a view perhaps influenced by the range of public policy initiatives designed to increase female self-employment, is not fully upheld by the statistical evidence. Since 1992, there has been a growth in the number of self-employed women in the UK, from 899 000 in 1992 (Q1) to 962 000 in 2004 (Q1), an increase of 6.5 per cent. The female share of self-employment (26 per cent in 1992 and 26.6 per cent in 2004) has remained largely static (Labour Force Survey, 2004). The proportion of economically active women in self-employment (7 per cent) has also remained static over the same period. This data can be compared with the total (all persons), which shows that UK self-employment grew from 3 445 000 in 1992 (Q1) to 3 613 000 in 2004 (Q1), an increase of 4.6 per cent. In 2004, self-employment accounted for 12.16 per cent of the total economically active population, the same proportion as 1992.

The relatively low levels of female self-employment and business ownership in the UK may be best explained by the overall position of women within the labour market. Women's employment is largely concentrated in the retail and services sectors, particularly in non-manual administration and junior managerial positions (Marlow and Carter, 2004). While a growing number of women are apparent within the professions, such as medicine, law and accountancy, women are still under-represented in senior management (Equal Opportunities Commission, 2001). Only 7 per cent of FTSE board directors are female and 39 of the top 100 FTSE companies do not have any female directors (Small Business Service, 2003). Although there is some evidence that the pay-gap is narrowing, women in full-time employment earn, on average, only 82 per cent of that earned by their male counterparts, while women in part-time employment earn just 60 per cent of that earned by their male counterparts (Equal Opportunities Commission, 2004). Research suggests that not only are women less likely to become self-employed, their experience of business ownership differs substantially from that of men; most female self-employment is confined to traditionally female occupational sectors, such as education, health, finance and business services; more than half of self-employed women work part-time (less than 30 hours per week); and over a third of women, compared with 12 per cent of men, use their home as a business base (Small Business Service, 2003).

The proportion of female entrepreneurs in the UK is comparable with other Northern European countries (Holmquist, 1997; Nilsson, 1997), but considerably lower than in the USA, where there are an estimated 10.1 million businesses in which a woman owns at least 50 per cent of the company and women-owned firms account for 28 per cent of all businesses (National Women's Business Council, 2004). Estimates suggest that majority women-owned firms employ 9.2 million workers and generate $1.2 trillion in sales revenue (National Women's Business Council, 2004). While the majority (53 per cent) still operate within the services sectors, there is evidence that women-owned businesses in the USA are moving out of traditionally 'female' sectors such as retailing and low-order services and into construction, production and technology-based sectors (Carter and Allen, 1997; Brush and Hisrich, 1999). This too contrasts with the UK, where female entrepreneurship is still predominantly located within the service economy (Marlow, 1994, 1997; Marlow and Carter, 2004), and 'new economy' businesses, initially believed to present the potential for gender-neutral entrepreneurial action, have emerged as a masculine province; the number of 'new economy' firms owned by men substantially outnumber those owned by women and traditional patterns of gender representation and stereotyping appear to persist (Wilkinson, 2001).

THEORETICAL PERSPECTIVES ON GENDER AND BUSINESS OWNERSHIP

The theoretical position underpinning this research identifies gender as a social structure: it appears natural and accepted, so we rarely 'see' gender structure (Risman, 1998). Gender is a taken-for-granted means of organizing all aspects of our society, including families and work. Bem (1993) used the term 'lenses of gender' to describe the hidden assumptions that produce and reproduce the meaning and salience of gender in society. There are three hidden assumptions: essentialism, androcentrism and gender polarization. Essentialism is the assumption that basic differences in orientation and personality between men and women are rooted in biology and nature. Androcentrism is male-centredness, the belief that males are more valuable than females and that male experience is both gender neutral and the norm for all people. Assuming that work is full-time, life-long and contains no breaks for family commitments, or when 'he' is used to mean he or she, is an androcentric position. Gender polarization is the assumption that not only are women and men different, but this difference is superimposed in so many ways that a link is forged between sex and virtually every aspect of human experience, for example, modes of dress, social roles, ways of expressing emotion. The means to justify androcentrism or essentialism is through gender polarization. This research study is designed to investigate whether this will be found as bank lending officers discuss the topic of bank lending to business owners.

Drawing on Bourdieu's (1990, 1991) conceptual framework with respect to gender symbolism, his roots in structuralism lead him to posit that the social order represents hierarchical relations of difference symbolized in binary opposites: male, female; dominated, dominant; strong, weak. The natural attitude to the gender divide draws heavily on tacitly taken-for-granted assumptions, from the everyday practices in the sexual division of labour and the 'sweet rationale', which explain the 'necessity' for things being as they are. Women are connoted with negative qualities and the masculine with the positive. This contributes to masculine domination. A person's structural position is also determined by capital: economic, social, cultural (which includes educational qualifications) and symbolic (for example, feminine beauty or acquiring masculine traits). Both men and women have formal cultural capital in the form of education and qualifications. However, cultural capital may take the form of a particular combination of educational experiences and family or social connections and interactions with key agents. This could be taken as given or achieved through membership of networks. Alternatively, significant qualities might be recognized like 'drive', the ability to work long unsociable hours or having good social skills that helps build an enterprise. These qualities can be viewed as part of what Bourdieu calls the 'habitus', a set of dispositions like attitudes and taste, which people absorb in socialization and contribute toward their practical knowledge and skill in functioning in business. Bourdieu's framework helps us understand how gender hierarchies work, by recognizing the way in which socially constructed ideas of difference (neither neutral nor objective) reflect a hierarchical ordering prevalent in society. The recognition of informal characteristics as constituting cultural capital may help in revealing those virtually invisible social practices that remain difficult to detect and combat. It is possible that the qualities women bring to business ownership may not realize the same value as men's since the dominant ideology and the doxa, or taken-for-granted assumptions are in the hands of the predominantly male elite who make decisions on loans.

A structural perspective on gender was used by Kanter (1977), who showed that when women had access to powerful mentors, interactions with similar people and the possibility for upward mobility, they behaved like others with similar advantages, regardless of sex. Women were less often successful, not because they feared success or had never developed competitive strategies, but because they were more often blocked from network advantages. Men who shared this lack of opportunities also did not advance. Kanter argues persuasively that the properties of the structural system best explain sex differences at work. In this study, we investigate what behaviours are seen to lead to success in business, and how men and women's experiences of networking and other behaviours that are seen to lead to success, compare. There appears, however, in Kanter's work to be an unquestioning acceptance of Weberian notions of bureaucracy: bureaucracy is based on impersonal rules, procedures and hierarchies that work together to produce the most rational and efficient form of organization. An ideal bureaucracy would produce non-discriminatory decisions within the banking system. Within bureaucracy traditional forms of power and discrimination disappear: bureaucracy is in essence gender neutral. This study explores whether this is the case in banking or whether the bureaucracy is found to reflect a specifically male basis of decision-making and way of organizing, mirroring the relationships that women have with men within the broader social relations of patriarchy (Ferguson, 1984; Halford et al., 1997).

This study also explores how men and women as business owners 'do gender' (West and Zimmerman, 1987). A person is expected to 'do gender' and the ease of interaction depends on it. Others' expectations create the self-fulfilling prophecies that lead all of us to 'do gender'. Within this framework, the very belief that biological males and females are essentially different (apart from in terms of reproduction) exists to justify male dominance. Gender difference is primarily a means to justify inequality. Gender is so ubiquitous because unless we see difference, we cannot justify inequality (Lorber, 1994). A key question remains whether those who make decisions on loans perceive differences between men and women that lead to inequalities.

Such a perspective regards social structures as existing outside of individual desires and motives. The structural perspective posits that there is a complex interplay between social structures and human action: human action can, in part, be explained by the constraints and opportunities created by social structures and the outcomes of such action can impact upon and influence the morphology of structures (Giddens, 1984). For the research study, two questions arise: why do bank loan officials and business owners act as they do and what are the taken-for-granted or cognitive image rules that belong to this situation?

Developed as a legitimate framework for replacing structural functionalism, social network theory can provide a more nuanced understanding of this interplay between social structure and human action. In this study, social network theory can provide insight into the complexities and subtleties surrounding access and availability of bank finance and the relationships shared between banks and business owners. This theory is premised on individuals being embedded within and connected to one another by networks of overlapping relationships of different contents and strengths (Granovetter, 1973, 1982; Olm et al., 1988; Aldrich et al., 1989). Individuals are connected by both direct and indirect relationships: by leveraging direct relationships with 'brokers', that is, individuals with whom a direct relationship is shared, individuals are able to access indirect relationships and resources and so widen their social network. Social action and behaviour can be understood by considering both the position individuals hold within networks and the interactions they share. Of particular relevance to this study is the proposition that the relationship shared by any two individuals will be influenced by the other relationships within which they are embedded. This study explores the extent that networks inform business owners about preferred banks and factors that appear to influence loan decisions. Similarly, the study also explores whether networks inform bank loan officials about which businesses are 'viable propositions'.

The analytical strength of social network theory encompasses both structural and interactional dimensions (Aldrich et al., 1989). Structural dimensions refer to the anchorage, density, reachability and range of networks. The wider the range or diversity of an entrepreneur's network, the greater the variety of resources they may access. Interactional dimensions refer to the meanings that individuals attach to the relationships in which they interact, for example, economic transactions, information exchanges or normative expressions of friendship and affection, with stronger relationships containing more than one type of interaction. Networks that are both structurally diverse and interactionally weak tend to be the most valuable in mobilizing a range of entrepreneurial resources (Aldrich et al., 1997; Granovetter, 1973; 1982; Olm et al., 1988). Research has suggested that male networks tend to contain a greater diversity of weak ties, while female networks being both narrower and denser, and consisting primarily of kinship or friendship links, lack the weak ties and relationships with brokers that are necessary to mobilize entrepreneurial resources (Cromie and Birley, 1992; Aldrich and Reece, 1994; Starr and Yudkin, 1996; Aldrich et al., 1997; Katz and Williams, 1997). This study will compare the network structures and interactions of male and female entrepreneurs in an attempt to reveal the effects of these differences on their ability to raise bank finance.

RESEARCH METHODOLOGY AND APPROACH

The study was based on a six-stage methodology that took place sequentially between October 2003 and September 2004. In stages 1–3 data collection focused on the bank lending officers, and in stages 4–6 on the experiences and perceptions of the entrepreneurs. Three specific aspects of the methodology require further discussion.

Firstly, the study used Kelly's (1955) Personal Construct Theory, which provides a methodology for examining cognitive images and processes. This theory suggests that we react to the world as we understand it; we develop personal beliefs about what the world is like, which we then use as a guide for our own actions and responses. These are our personal constructs. Kelly argues that constructs are bipolar in nature: individuals never affirm anything without simultaneously denying something. Sense is made of the world by noting similarity and difference. It is in the contrast that the usefulness of the construct subsists. The repertory grid technique developed by Kelly provides a methodology for examining an individual's construct system. Participants (bank lending officers and entrepreneurs) were asked to name six 'elements' (three male and three female entrepreneurs) of whom they have some reasonable knowledge. The constructs are the qualities that are attributed to people, and are elicited as the participant is presented with three of these elements and are asked to state in which way any two are similar and therefore different from a third. This process is repeated several times with different groups of elements. As many triads of elements are presented as is possible or until the respondent can no longer produce new constructs. The similarities and differences that they identify are taken to be opposite ends of the personal construct the individual uses. The elements are in the columns of a grid, and the bipolar constructs on the horizontal lines. The respondent is then asked to indicate by scoring (1–7) on the grid how each construct applies to each element. This method allows for systematic comparison between people.

Secondly, the study replicated the business plan developed by Fay and Williams (1993) for their analysis of gender discrimination among bank lending officers in New Zealand. This four-page case presents the business plan of an individual, J.S. Jones, seeking bank finance to purchase an ongoing restaurant business. Two amendments were made to the case prior to use in this study. Firstly, the original case identified the applicant's gender by a photograph. The photograph was removed as it was considered a potential source of bias and the sex of the applicant identified by use of a first name. The names given to the case were Emma Jones and Jack Jones, selected as the most popular first names in the UK in the year preceding the study. Secondly, some minor details within the case were changed to reflect the UK context. These modifications were minimal and entailed the substitution of currency signs (NZ$ to UK£), the home address of the applicant (from NZ to UK) and the applicant's alma mater (from University of Otago to University of Manchester).

Finally, a major factor in the uncertainty that surrounds women's access and usage of business finance in the UK has been the reluctance of banks to make public their lending patterns, disaggregated by gender. However, a number of commercial banks have identified women entrepreneurs as an important new market and wish to be seen as more 'woman-friendly'. Data from bank lending officers was drawn from one of the major UK clearing banks. Recent acquisition had fuelled dramatic growth within this organization. As part of its subsequent restructuring programme, which had taken place three years prior to the study, the bank had recruited a new tier of lending staff focused on new business development, and a sample drawn from these new business lending officers formed the basis of the supply side of our study. Because these respondents had all been employed by the bank in the same occupational position at the same time, they shared a broadly similar frame of organizational experience and thus possible bias resulting from variations between individuals in organizational experience and knowledge was minimized. Of the 400 new business development officers recruited into the bank, only 10 per cent were female. One of the bank's concerns was that their female lending officers were under-performing compared with their male counterparts, and the research team were asked to consider the organizational implications of this as an additional research objective.

Stage One: In the first stage of the study, four in-depth interviews were held with bank head office lending and credit control staff. These interviews focused on identifying the current policies, criteria and procedures governing lending decisions. The interviews also focused on the potential changes in lending procedures that had been brought about by new IT systems. Decisions regarding bank lending to businesses are traditionally made through personal representation, but technology-based banking (internet/telephone banking) may be creating a new set of lending criteria, particularly for lower value loan decisions. While algorithms used by banks remained confidential, these initial interviews clarified the systems and criteria used within the bank and their equivalent across the UK banking sector.

Stage Two: In the second stage, six focus groups were held with bank business lending officers, three with male lending staff and three with female lending staff. Broad geographical coverage was attained by holding focus groups in London, Bristol, Manchester and Edinburgh. Prior to the focus group, each participant was given a copy of the Fay and Williams (1993) case study and taped individual interviews recorded their reactions as they discussed their reactions to the business plan, applying the criteria that they would normally use within the bank. Three of the focus groups used the female case (Emma Jones) and the other three focus groups used the male case (Jack Jones). Following these individual interviews, the focus groups commenced by asking the participants to discuss the case and assess its merits and funding potential. Thereafter, discussion focused more broadly on the bank's lending criteria, their own personal lending criteria and the characteristics that they look for in potential entrepreneurs, and the procedures that they adhere to in proposing funding decisions. To control moderator bias, the moderator was the same sex (female) for all six groups.

Stage Three: The third stage immediately followed each focus group. This stage consisted of a further round of individual interviews with the bank lending officers who had participated in the focus groups. These interviews used repertory grid techniques to ascertain their individual personal constructs they each held of entrepreneurs.

The demand-side data was drawn from matched pairs of male and female entrepreneurs. While the central concern of the study is women, controlled experimentation requires both sexes. The precise nature of the relationship between banks and women entrepreneurs can only be portrayed by comparison with the male experience. A matched pairs approach has been identified as particularly relevant for the analysis of gender and finance, as many of the factors cited as causal in negative loan decisions may simply be a function of sector and business track-record (Read, 1998).

Stage Four: The fourth stage consisted of telephone interviews with 100 entrepreneurs (50 male, 50 female), who had started businesses in the business services sector within the previous three years. The sample was drawn from the Yellow Pages for central Scotland. Researching new businesses requires particular care in sample construction. Many 'off-the-shelf' business datasets, such as Dun and Bradstreet, have been constructed for credit referencing purposes and consequently exclude a large proportion of new firms (Storey, 1994). National and local government datasets of new firms, however, present difficulties in terms of access and other restrictions. The Yellow Pages gives the most readily available lists of businesses and the highest coverage, while minimizing the main problems (omissions, clusters, foreign elements and duplicate listings) associated with other business sampling frames. Given the relatively low numbers of women in business, initial sample assembly concentrated on building the female sample of firms (advertising agencies, marketing and advertising consultants, management and business consultants). Male businesses, being more prevalent, were then sought to individually match each of the female sample businesses. The telephone interviews focused on the resource acquisition of entrepreneurs, their relative access to and use of different kinds of capital (economic, human, social, cultural) as well as their broad experiences and perceptions of bank lending.

Stage Five: From this initial sample of 100 entrepreneurs, 30 matched pairs (30 men and 30 women) went forward to participate in the last two stages of data collection. The reduction in sample size was the result of an anticipated natural fall-out and the need to more precisely match industry sub-sectoral activities, some of which only became apparent during the course of the initial interview. In the fifth stage, in-depth personal interviews were conducted with each of the 60 business owners. The interview schedule was highly structured and based on a detailed 20-page questionnaire. Many of the questions and scales used were drawn from previous research, including the Diana survey, enabling comparative analysis (Brush et al., 2004).

Stage Six: The final stage followed immediately after the Stage Five personal interviews, and entailed the use of repertory grid techniques to elicit their individual constructs about entrepreneurs. The technique was identical to that used with the bank lending officers in Stage Three.

RESULTS AND ANALYSIS

Initial analysis of the data from both the supply side and the demand side suggest promising insights into the relationship between gender and business finance. The broad results reported below highlight some of the initial findings from both the supply side and the demand side, focusing on Stage Two (individual interviews and focus group discussions with bank lending officers) and Stage Four (telephone interviews with entrepreneurs).

Supply-side Data: Focus Groups with Bank Lending Officers

In the Stage Two pre-focus group individual interviews, bank lending officers were given a copy of the Fay and Williams (1993) case study, which outlined the loan application of an entrepreneur seeking bank finance to buy a middle-market restaurant in a tourist town. In half the interviews, the applicant was described as being female (Emma Jones) while in the other half the applicant was described as male (Jack Jones). The interview protocol asked bank lending officers to read the case and simultaneously articulate their initial reactions to the application. These interviews, half with female lenders and half with male lenders, revealed no gender differences in the likelihood of pursuit. Few lenders even mentioned the gender of the applicant, preferring to consider other personal attributes such as age, education and industry experience. Mostly, lenders' reactions focused on the business idea, the size of the loan, the applicant's financial track record and ability to provide security and their debt to asset ratio. All of the lenders were enthusiastic about the application, specifying that they would be likely to take it forward for serious funding consideration. Each lending officer specified that their next steps would be to meet the applicant and all individually expressed the view that they would not consider funding any application until they had met the individual. An emphasis on meeting the applicant both served the bank's quality assurance and compliance demands and satisfied their own professional standards.

The focus group discussions enabled a fuller exploration of what 'meeting the loan applicant' entailed and, in particular, an emphasis on the personal characteristics they considered desirable and sought in their loan applicants. In these discussions, lending officers placed emphasis on the personal qualities of the individual requiring finance, and many spoke of the need for evidence of 'business acumen'. None of the lending officers could define precisely what 'business acumen' entailed, but spoke instead of industry experience, management experience, 'c.v. and track record'. Few lending officers expressed a preference that entrepreneurs should conform to a specific set of personal characteristics, but age and education were often raised in discussions. The age of the Fay and Williams' case applicant (32) was seen as perfect; sufficient experience had been gained, but relative youth brought energy and drive to the business. Most, however, stated that age was only an issue at the margins: very young entrepreneurs were unlikely to have gained sufficient experience to run a successful enterprise, very old entrepreneurs were unlikely to be successful in a loan application where the debt repayment period exceeded their own life expectation. Tertiary-level education was seen as an advantage by the lending officers, but this was tempered in their discussions by numerous examples of successful entrepreneurs with few academic qualifications. None of the focus groups considered gender as a personal quality that was decisive in a loan application: indeed, in some of the focus groups, the issue of gender was not raised by the lending officers. One group commented that they would query a female applicant wanting to start a business in a traditionally male sector, but this was qualified by discussions of examples of women who had successfully done this. Many of the lending officers placed emphasis on establishing a personal rapport with the entrepreneur, but equally they stated that personal dislike would not necessarily deter a positive decision providing the applicant complied with other aspects they were seeking.

Throughout the focus groups, there was clear and unambiguous evidence of individual decision-making by the bank lending officers. Thus, it was possible for a loan application to be supported by one lending officer and rejected by another. This element of individualized decision-making is crucial in interpreting the loan application process, and in particular the type of applicants who are likely to be successful and those likely to fail. When individuals such as bank lending officers have the ability to make decisions based on personal judgement, these decisions reflect their individual biases and opinions and the ordering of the world with which they concur. While individualized decision-making may reflect the inherent biases of lending officers, it is economically irrational for banks as a corporate entity to discriminate against women by more frequently rejecting loan applications. Banks seek to do business; the ideal bank bureaucracy is gender neutral and produces non-discriminatory decisions within the banking system. Nevertheless, judgements about loan applications submitted to banks are made by individual employees and their decisions reflect their individual biases.

A more nuanced view of the role of gender within the bank was produced not as a consequence of discussions about female entrepreneurs, but by discussions with women lending officers about their role as bank employees. Many women lending officers were exercised by the effects of gender on their own position within the bank and the denial of personal experience of gender inequality was a recurrent theme within the women's focus groups. Most women lending officers repeatedly denied gender inequalities, others believed that their gender gave them an advantage, and a minority reported anecdotes to support their view that their gender placed them at a professional disadvantage with their male colleagues. While the majority rejected the notion of gender disadvantage, paradoxically they spent a great deal of time discussing it and these discussions of their own gendered experiences were to the exclusion of discussions about the experiences of female entrepreneurs.

One of the differences that emerged from the focus groups was how male and female lending officers 'do business' within the bank. Loan applications are initially screened by lending officers who, if supportive, write a detailed loan proposal that is forwarded to Head Office credit controllers for approval. Discussions about the interactions between male and female lending officers and credit sanction staff were distinctly different. Male lending officers more often actively sought to network with other bank staff, particularly credit controllers, within the bank. There were some acknowledgements that active networking, for example, through socializing at sports events or office parties, could both advance their personal ambitions and also smooth the process of loan application proposals. While this approach was not always successful, there was a specific view expressed by several of the male lending officers that internal bank processes were negotiable. In contrast, the women lending officers were far less instrumental in seeking to influence bank decision-making through networking. Indeed, the prevailing view within the female focus groups was that the internal credit sanctioning process was 'objective'; while they might know the credit sanctioners individually, it was not possible for them to either influence which credit sanctioner would receive their proposal or in any way to influence the credit controller's loan approval decision.

Demand-side Data: Telephone Interviews

The Stage Four telephone interviews were conducted with a sample of 50 male and 50 female entrepreneurs operating in the business services sector in the central belt of Scotland. Previous studies of entrepreneurship and gender have consistently revealed differences in size and performance levels between male- and female-owned enterprises. Even controlling for sector, business age and location, this small survey revealed distinctive gender-based differences. These differences are most apparent in the industry focus, ownership, size and capitalization of firms.

While nominally all of the businesses were drawn from the Business Services sector, this industry sector includes a number of distinct business activities. Respondents were asked to specify their precise sub-sectoral focus and describe their firm's activities. Of the 50 male entrepreneurs, 32 described the nature of their firms as 'Management and Business Consultancy' compared with only 12 female entrepreneurs. In contrast, 22 female entrepreneurs described their firm's activities as 'Business Services', compared with only two male entrepreneurs. These differences are statistically significant ($x^2$29.658, df = 5, $p < 0.000$). These results confirm previous observations (see Rosa et al., 1994) of intra-sectoral gender differences in business focus.

Previous studies have also remarked on the greater likelihood of women to start single-person enterprises (Marlow, 1994, 1997). This survey also found that women were more likely to start in business by themselves: 90 per cent of women, but only 66 per cent of men started as sole owners ($x^2$8.39, df = 1, $p < 0.004$). While an equally small proportion (10 per cent) of male and female entrepreneurs started in business with a male owner, 20 per cent of male entrepreneurs (and no female entrepreneurs) started with an additional female owner ($x^2$11.111, df = 5, $p < 0.001$). Male entrepreneurs were also more likely to both start in business with a co-owning spouse and also to employ their spouse within the firm: 34 per cent of male entrepreneurs, but only 2 per cent of female entrepreneurs, specified that they shared ownership of the firm with their spouse ($x^2$17.344, df = 1, $p < 0.000$), while 16 per cent of males, but only 2 per cent of females, employed their spouse within the business ($x^2$5.983, df = 1, $p < 0.015$).

Gender differences were also apparent in the overall size of the firms. Despite being started within the same time period, men were more than twice as likely to employ additional staff. In total, 40 per cent of male entrepreneurs, but only 16 per cent of female entrepreneurs, employed additional staff ($x^2$7.143, df = 1, $p < 0.007$). Men were also more likely to report higher sales turnover in the previous financial year. The majority of women (60 per cent), but only 24 per cent of men, reported a sales turnover of less than £25 000. In contrast, 24 per cent of men, but only 2 per cent of women, reported a sales turnover in excess of £100 000 ($x^2$20.487, df = 9, $p < 0.015$). Women were also more likely to report static sales figures in the previous year (32 per cent of women, compared with 8 per cent of men), while men were more likely than women to report both increases (64 per cent) and decreases (18 per cent) in sales turnover. Previous studies have suggested that the customer base of female entrepreneurial firms may also be gendered; as women-owned firms tend to be established in sectors, such as services and retail, with both high levels of female employment and high levels of female consumption (Marlow, 1997; Carter and Anderson, 2001). As industry sector was strictly controlled, few differences were predicted within this survey. Nevertheless, women were more likely than men to state that their customer base comprised equal numbers of men and women, while men were more likely to specify that they served companies and could not specify the gender of their customers ($x^2$26.222, df = 5, $p < 0.000$).

Previous studies have also suggested that women-owned firms generally start with lower levels of financial capitalization (Carter and Rosa, 1998). Given the low barriers to entry within the business services sector, it was unsurprising that both men and women started in business with relatively small amounts of capital. Even so, gender differences were apparent: 86 per cent of women and 62 per cent of men started in business with starting capital of less than £12000, while the remainder (14 per cent of women and 34 per cent of men) started with capital greater than £12000. Levels of personal investment also differed by gender: 88 per cent of women and 70 per cent of men invested less than £10000, while 12 per cent of women and 24 per cent of men personally invested more than £10000. It is likely that the level of personal investment in the new venture is related both to the individual's prior earnings and to total household income. While this was not investigated in Stage Four, the Stage Five in-depth interviews collected detailed information regarding individual earnings and total household income in the year prior to business start-up. Future analysis will explore the degree to which individual earnings and household income levels, either separately or in combination, influence levels of personal financial investment in the business start-up. Interestingly, more women than men had started in business with some external investment: in total, 42 per cent of women but only 10 per cent of men had started in business with external financial investment. For most women, however, the sums contributed by external sources were very small-scale. Of the 21 female entrepreneurs with external investment, 17 reported external capitalization of less than £1000. Of the five male entrepreneurs with external investment, four reported external capitalization in excess of £1000.

CONCLUSIONS

Although the data analysis is still ongoing, the initial analyses of the data suggest that gender continues to be an important, but largely hidden variable in the acquisition of finance for business start-up. The influence of gender can be seen in both demand-side and supply-side factors. From the data that is emerging from this study, it is becoming clear that the influence of gender may be profound, but is rarely overt. Women entrepreneurs in the UK still start businesses with a lower overall level of capitalization and a lower ratio of debt finance than do men. In this respect, gender can be seen to be a determining influence on the demand side of the debt finance process. However, gender effects can also be observed on the supply side. As expected, the results so far suggest that this is not a case of overt discrimination by banks. Rather it is possible that both demand-side and supply-side factors interact at the point of contact to co-produce an outcome. The aspirations and expectations of women entrepreneurs and the perceptions held by bank lending officers of women entrepreneurs and 'female-type' businesses both affect the finance lending decision. While there is no evidence of any intentional discrimination on banks' behalf, indeed it is very clearly not in the interests of a bank to delimit lending to women entrepreneurs, individualized decision-making by bank lending officers allows the possibility of judgements that reflect the lending officers' world view to be negotiated and reproduced.

These emerging results suggest that the multi-stage and complex methodology adopted in this study may prove to be particularly useful in advancing our knowledge of the effects of gender on business finance. The methodology enables researchers to unravel deeply held values and perceptions, ones that might not be forthcoming using conventional, post-hoc survey techniques. By exploring the personal constructs held by bank lending officers and male and female entrepreneurs, this study has started to reveal the role that both sides play in the business lending decision. The co-production of outcomes, the result of supply-side and demand-side interaction, may represent an important advance in our understanding of the influence of gender in acquiring business finance.

NOTE

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